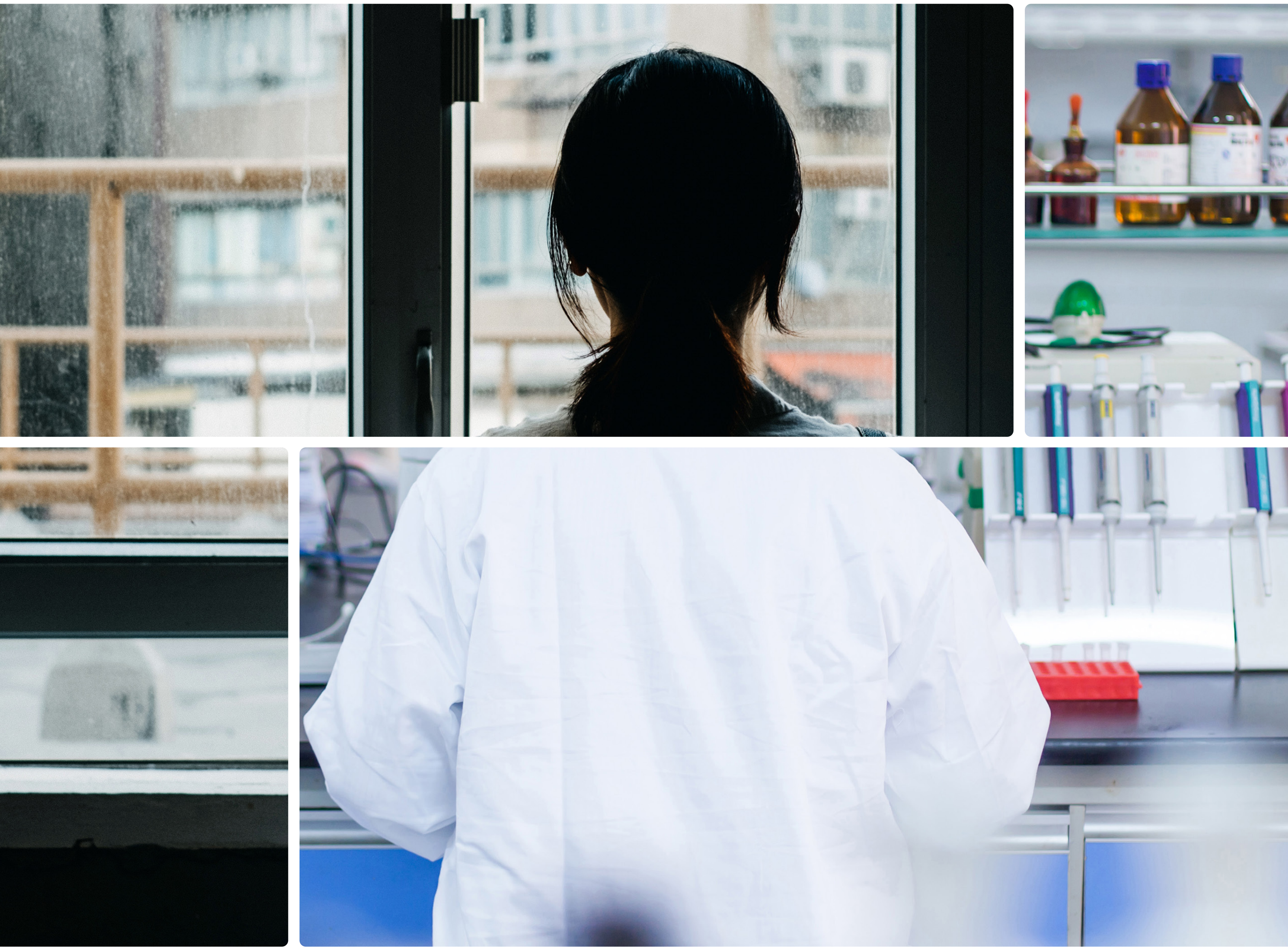
LEVEL 01

# Responsible Investing Glossary



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# ESG and Related Terms

### 2°C Scenario
The 2°C Scenario (2DS) lays out a trajectory for energy system deployment and emissions reductions that has at least a 50% chance of limiting the average global temperature increase to 2°C above pre-industrial levels.

### Accountability
Accountability is one of the five principles of good governance. It refers to the mechanisms that hold people responsible for their decisions and actions. Within corporate governance, management is accountable to the board of directors, and the board is accountable to shareholders.

### Active Analysis Strategies (AAS)
AAS rely on analytical research and models to identify mispriced securities. Active managers typically analyze information from multiple sources to build valuation models to assess a company's value and determine whether it is over-valued, fairly-valued, or under-valued by the market.

### Active Ownership
The use of the rights and position of ownership to influence the activity or behavior of investees. For listed equity owners, this includes engaging companies on ESG issues and exercising (proxy) voting rights. It is seen as a means of reducing investment risk, enhancing long-term shareowner value, or both.

### Alpha
Alpha measures risk-adjusted performance, showing excess return delivered at the same risk level as the benchmark.

### Best-In-Class Screening
The selection of companies with better or improving ESG performance relative to sector peers. Also referred to as positive screening.

### Beta
Beta measures the volatility of a portfolio relative to the overall market.

### Board of Directors
A board is appointed by shareholders to represent and protect their interests in decision-making and ensure the development and execution of a successful value-creating strategy.

### Carbon Footprint
A measure of the total greenhouse gas emissions expressed in tons of carbon dioxide. It is one way to assess the potential impact of climate change on a portfolio. It will measure at least one of the following:

> **Scope 1 emissions:** direct emissions from owned or controlled sources.
>
> **Scope 2 emissions:** indirect emissions from the generation of purchased energy.
>
> **Scope 3 emissions:** all indirect emissions (not included in scope 2) that occur in the value chain of the reporting company, including both upstream and downstream emissions.

### Carbon Tracker
An initiative working to align capital markets with climate change objectives.

### CEO Duality
Refers to the situation in which the CEO of a company also serves as the chair on the board of directors.

### Circular Economy
An economic system designed to produce no waste or pollution.

### Climate Risk
The investment risk resulting from a failure to keep global temperature rises to below 2°C above pre-industrial levels.

### Corporate Governance
The system of rules, practices and processes by which a company is directed and controlled, designed to ensure management acts in the best interests of its shareholders. Corporate governance covers a wide scope from reviewing board independence, remuneration and risk practices, to capital allocation and accounting practices.

# ESG and Related Terms

**Corporate Governance Codes**
A set of standards detailing good practice in relation to board leadership and effectiveness, remuneration, accountability and relations with shareholders. These are established by local regulators on a country by country basis.

**Corporate Social Responsibility (CSR)**
A self-regulating business model that helps a company be socially accountable—to itself, its stakeholders, and the public. By practicing corporate social responsibility, also called corporate citizenship, companies can be conscious of the kind of impact they are having on all aspects of society, including economic, social, and environmental.

**Disclosure**
The act of releasing relevant company information that may influence investment decisions.

**Divestment**
The action or process of selling an asset. It is the opposite of investment. Divestments can be motivated by financial concerns, values, or political reasons. In many regions, local legislation drives divestment guidelines, which can influence the extent to which public funds can or cannot invest in certain regions.

**Efficient-Market Hypothesis (EMH)**
A theory that states that asset prices fully reflect all available information. This implies that it is impossible to consistently "beat the market" because existing share prices always incorporate and reflect all relevant information.

**Environmental, Social, and Governance (ESG) Criteria**
A set of standards for a company's operations that socially conscious investors use to evaluate potential investments. Environmental criteria consider how a company performs as a steward of nature. Social criteria examine how it manages relationships with employees, suppliers, customers, and the communities where it operates. Governance deals with a company's leadership, executive pay, audits, internal controls, and shareholder rights.

**Engagement**
Refers to interactions between the investor and current or potential investees (companies, governments, municipalities, etc.) on ESG issues. Engagements are undertaken to influence ESG practices and/or improve ESG disclosure.

**Enhanced Passive Strategies**
In an "enhanced passive" approach, the core of the portfolio follows an index, but includes a limited amount of active strategies, such as divesting from certain securities, adjusting weights, and trading derivatives.

**Environmental Factors**
Issues related to resource use, pollution, climate change, energy use and other physical environmental challenges and opportunities. Investors will typically consider a company's environmental performance either in terms of the company's impact on the environment or the impact of natural capital constraints on its profitability.

# ESG and Related Terms

**ESG Analysis**
The examination of a company's environmental, social and governance performance, which could be designed and used in any of the approaches described here.

**ESG Integration**
An investment approach in which a range of sustainability and ESG-related risks and opportunities are considered in addition to traditional financial analysis. In principle, this can lead to a more fundamental assessment of the environment in which a company operates and its performance in managing different stakeholders.

**ESG Research Providers**
Firms that conduct quantitative and qualitative analysis of a company's ESG performance and provide a standardized measure (such as a company ESG rating). Approaches and results can vary significantly across providers. MSCI and Sustainalytics are two of the most widely used ESG research providers.

**Exclusionary Screening**
The exclusion from a portfolio of certain sectors, companies or practices based on specific ESG criteria. Also referred to as negative screening.

**Extra-financial Factors (or Non-Financial Factors)**
Factors that are not the usual, financial variables considered in investment analysis and whose monetary impacts are typically hard to quantify. The term can be applied to any measure whose unit of measurement is not monetary.

**Fiduciary Duty**
The legal duty of one party (the fiduciary) to act in the best interests of another (the principal). In the investment chain there are a number of these relationships including the duty that boards have to shareholders, the duty between trustees and beneficiaries and the duty between asset managers and their clients.

**Fund ESG Ratings Score**
A third-party rating that attempts to indicate the ESG credentials of a particular mutual fund relative to an investment category or peer group, based on an assessment of the ESG credentials of a fund's underlying holdings. Typically combines the ratings ESG research providers publish with portfolio holdings.

**Governance**
In the context of Responsible Investing and ESG, governance factors include those that measure the quality and robustness of a company's internal structure and practices, its consideration for shareholder rights, its accountability and wider transparency framework. Measures of governance can include board structure, board independence, executive compensation or auditor independence.

**Impact Outcomes**
Changes, or effects, on individuals or the environment that follow from the delivery of products and services.

**Impact Outputs**
Tangible practices, products, or services that result from ESG related activities undertaken by a company.

**Independence**
Independence is one of the five principles of good governance, referring to the structures and processes that help minimize the potential influence of conflicts of interest on decision-making process.

**Independent Directors**
A member of a board of directors who has no material relationship with the company or its related persons, including past nor present employees. In some jurisdictions those who serve on boards for a set period of time are no longer considered independent, even if they began their tenure in that category.

**Integrated Reporting**
Company reporting that communicates the relationship between a company's business strategy and its financial, and ESG performance.

# ESG and Related Terms

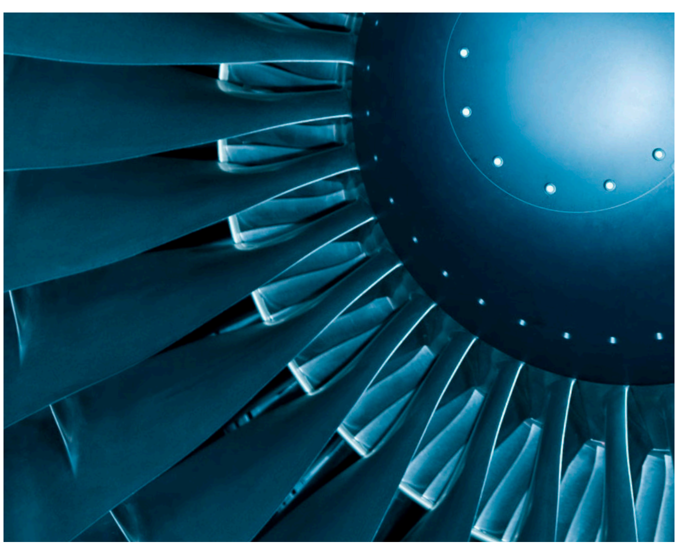
**Lead Director/Senior Independent Director**
Acts as an independent leader among the board of directors and provides an independent point of view to the chairperson. The lead director can also act as chairperson if the chairperson is conflicted or unavailable and can be an effective conduit for shareholder concerns.

**Materiality**
A fact is material if there is a substantial likelihood that the fact would have been viewed by the reasonable investor as having significantly altered the 'total mix' of information made available.

**Microfinance**
Financial services, products and loans (typically less than $1,000) that focus on under served entrepreneurs and small businesses who may lack access to traditional forms of banking and capital.

**Non-executive Board Members**
Sit on the board of directors but do not form part of the management team.

**Negative Screening (also see Exclusionary Screening)**
An investment approach that incorporates an investor's moral principles by excluding companies involved in certain activities or industries (e.g. alcohol, gambling and adult entertainment).



**Norms-Based Screening**
The screening of investments based on international norms for minimum standards for business practices in areas like human rights, labor standards, and anti-corruption. It is used primarily outside the United States.

**Participation**
Participation is one of the five principles of good governance. It refers to the extent to which corporations invite and support involvement from directors, investors, and other stakeholders.

**Passive Strategies**
Strategies that aim to match the performance of a market by tracking a capitalization-weighted index. Passive strategies can either buy all, or a sample set, of the constituents of an index.

**Pay for Success Financing**
An arrangement in which private investors provide upfront capital to fund a social service provider, while a 3rd party (typically a government) repays the investor later if and only if a rigorous evaluation of the program's results shows that the desired social outcomes were achieved. They are also known as Social Impact Bonds.

**Positive Screening (Also See Best-In-Class Screening)**
An investment strategy that aims to select companies that demonstrate leading sustainability practices and are considered to be better positioned to benefit from, and build resilience to, long-term societal and economic trends.

**Predictability**
Predictability is one of the five principles of good governance. It refers to the extent to which investors can count on the board and executive team to strive to meet their stated long-term objectives.

**Principles of Responsible Investment (PRI)**
A set of 6 voluntary and aspirational investment principles that offer a menu of possible actions for incorporating ESG issues into investment practice. As an organization, the PRI provides tools and resources to support a more sustainable global financial system.

# ESG and Related Terms

**Quantitative Analysis Strategies**
Quantitative strategies use data, mathematical models and statistical techniques to outperform their benchmarks. They typically follow a three-stage process: 1) data analysis and statistical testing 2) building of models and running simulations testing strategy theory 3) implementation strategy.

**Renewable Energy**
Energy collected from resources that are naturally replenished such as sunlight, wind, water and geothermal heat.

**Shared Value**
Policies and operating practices that enhance the competitiveness of a company while simultaneously advancing the economic and social conditions in the community in which it operates. Shared value creation focuses on identifying and expanding the connections between societal and economic progress.

**Shareblocking**
A practice whereby restrictions are placed on the trading of shares which are to be voted upon prior to an annual general meeting. Typically, the restrictions are lifted on the day following the general meeting.

**Shareholder Activism (or Advocacy)**
A public form of engagement whereby investors use their shareholdings to engender change at a company. This can be done through submitting shareholder resolutions or a public media campaign against a company. Shareholder activism tends to be a more confrontational approach to promoting change.

**Smart Beta Strategies**
Smart beta is a combination of active and passive investment strategies. It is active in the sense that it aims to outperform market-capitalization indexes, and passive in the sense that portfolio weighting is transparent and rules-based and has lower fees than active management. Portfolio weights are determined by factors other than market capitalization, such as value, volatility, liquidity, or momentum.

**Social Factors**
Issues related to social trends such as demographic changes, social attitudes, social trust and other beliefs or behaviors. Investors may use the analysis of these factors to gauge the contribution a company makes to society (as responsible corporate citizens) or to assess a company's ability to adapt to the pressures those social trends exert on business models and profitability.

**Social Good**
A social good is an act that benefits the largest number of people in the largest possible way, such as clean air, clean water, healthcare, and literacy.

**Stakeholder**
Within corporate governance, a stakeholder is a person or group who has an interest or 'stake' in the corporation's actions and is affected by what the corporation does.

**Stakeholder Capitalism**
Stakeholder capitalism is a system in which corporations are oriented to serve the interests of all their stakeholders. Among the key stakeholders are customers, suppliers, employees, shareholders and local communities. Under this system, a company's purpose is to create long-term value and not to maximize profits and enhance shareholder value at the cost of other stakeholder groups.

**Stewardship**
The work of exercising duties and obligations of a business that aims to ensure a company's long-term strategy and day-to-day management is effective and aligned with shareholders' interest. Good stewardship should help protect and increase the value of investments.

**Stewardship Codes**
A set of standards that help set expectations for asset managers and asset owners on oversight and engagement with investee companies. These codes are established by local regulators on a country by country basis.

# ESG and Related Terms

**Supply Chain Management**
A supply chain is a network between a company and its suppliers to facilitate the flow of products and services to a final buyer. Supply chain management involves the coordination and oversight of every link in this chain.

**Sustainability**
A decision-making perspective that takes into account a broad array of stakeholders and systems, present and future. Sustainable decisions aim not only to meet present needs, but to strengthen social, environmental, and economic systems, while preserving the ability of future generations to make decisions that meet their own needs.

**Sustainable Development**
Development that meets the needs of the present without compromising the ability of future generations to meet their own needs.

**Systems-Level Considerations**
The acknowledgment and consideration of how investment decisions impact environmental, societal, and economic systems.

**Transparency**
Transparency is one of the five principles of good governance. It refers to the ease with which investors and other outsiders can meaningfully analyze a company and its actions.

**Triple Bottom Line (TBL or 3BL)**
An accounting framework originally developed in an effort to measure sustainability. TBL goes beyond traditional measures to incorporate three additional dimensions of performance: social, environmental (or ecological) and economic.

**Venture Philanthropy**
Venture philanthropy applies private equity/venture capital business models to nonprofit and charitable sectors, typically through a combination of grants and investments.

**Voting Rights**
Equity investors typically enjoy rights to vote at annual and extraordinary general meetings (AGMs and EGMs). The resolutions on which shareholders vote will vary according to individual countries' legal frameworks. They may include voting on an individual director's appointment, remuneration or mergers and acquisitions.

# Responsible Investing Products and Categories

**Clean Technology**
A range of products, services and processes that reduce the use of natural resources, cut or eliminate emissions and waste, or have the potential to provide performance competitive with traditional alternatives.

**Community Investing**
Investments made directly into low-income or disadvantaged communities, small businesses or community services (for example childcare, affordable housing and healthcare).

**Economically Targeted Investing**
Investments that seek to promote economic development in local communities and organizations, in addition to competitive financial returns. The investments may be targeted at job creation, generating small business loans, improvement in the affordable housing stock or enhancing infrastructure.

**Environmental Funds**
Mutual funds that are primarily exposed to sustainable environmental themes such as clean energy, water and waste, or invest in companies with positive environmental management.

**Finance First Impact Investing**
Impact investments that seek to achieve market-rate returns. These investments can effectively serve opportunities in which environmental or social problems create a compelling business opportunity.

**Gender Lens Investing**
Investing that aims to improve the lives of women and girls, while also generating financial returns.

**Green Bonds**
A bond in which proceeds are used to fund new and existing projects with environmental benefits. For example, renewable energy and energy efficiency projects.

**Green Investing**
Investing in companies and technologies that are considered to be positive for the environment, such as companies offering alternative sources of energy or those that have demonstrated a track record of reducing their environmental impact.

**Impact First Impact Investing**
Impact investments that address social or environmental issues through market-based solutions, though often at greater risk. Market-rate returns are possible, but below-market returns may also be acceptable given the level of impact being measured.

**Impact Investing**
Investments in companies, organizations, and funds with the disclosed intention to generate and measure social and environmental benefits alongside a financial return.

**Low Carbon Funds**
Mutual funds that invest in companies with a low carbon strategy or low carbon emissions.

# Responsible Investing Products and Categories

**Mission-related Investing**
Investments made to further the philanthropic goals, mission and values of an organization that are expected to deliver financial as well as social or environmental returns.

**Responsible Investment**
A term widely used to cover a broad range of activities and approaches, including ESG integration, Engagement and Active Ownership.

**Sin Stocks (Or Vice Stocks)**
Stocks of companies either directly or indirectly associated with activities that some consider to be harmful to society. Sectors typically targeted include tobacco, alcohol, gambling, and adult entertainment.

**Social Impact Bonds**
Investments vehicles designed to improve the social outcomes of publicly funded services. Providers are typically charities that are often pioneering a new approach to a specific social problem. The investment is used to fund the working capital needs of the project.

**Socially Responsible Investment (SRI)**
This is considered the oldest and most established term relating to sustainable investing, and is grounded in more ethically and values-focused approaches to investment.

**Stranded Asset**
Assets that have suffered from unanticipated or premature write-downs, devaluations or conversion to liabilities. In the realm of Responsible Investing, this term typically refers to utilities and fossil fuel companies, where the traditional activities of finding and generating energy have come under pressure from climate protection regulations.

**Thematic Investing**
Investment strategies that focus on a specific ESG issue, such as renewable energy, clean tech, sustainable agriculture, education, or health.

**Values-Based Investing**
A method of portfolio selection that excludes assets associated with certain products or services, so as to align the portfolio with the investor's personal values.

**Water Funds**
Mutual funds that invest in companies providing technology, products and services relating to the water value chain, such as water distribution, management, treatment and analysis or irrigation.

# A Selection of Industry Organizations and Initiatives

**Asian Corporate Governance Association (ACGA)**
An independent, non-profit membership organization dedicated to working with investors, companies and regulators in the implementation of effective corporate governance practices throughout Asia.

**CDP (formerly the Carbon Disclosure Project)**
A global not-for-profit organization founded in 2000 that provides the world's only global natural capital disclosure system.

**Climate Disclosure Standards Board (CDSB)**
An international consortium of business and environmental NGOs, set up to promote greater alignment between natural and financial capital through disclosure standards, research and advocacy.

**Cluster Munitions and Anti-personnel Mines (APMs)**
Weapons designed to disperse multiple explosive sub-munitions. Anti-personnel mines are explosive devices designed to harm or kill civilians.

**Council of Institutional Investors**
An organization of asset managers and asset owners promoting effective US corporate governance practice.

**European Sustainable Investment Forum (EuroSIF)**
The leading European sustainable and responsible investment organization whose mission is to promote sustainability through European financial markets. Different regions have their own local SIF e.g. US SIF, UKSIF, SWESIF.

**Financial Stability Board (FSB)**
An international body that monitors and makes recommendations for the global financial system. Established in 2009, The Board includes all G20 economies, FSF members, and the European Commission.

**Global Reporting Initiative (GRI)**
An international organization that develops and publishes sustainability reporting standards and measures for global companies. It has become the closest thing to a global reporting standard for ESG measures; it reports that 92% of the world's largest 250 corporations report on their sustainability performance.

**International Corporate Governance Network (ICGN)**
An investor-led organization of governance professionals, ICGN's mission is to inspire and promote effective standards of corporate governance to advance efficient markets and economies worldwide.

**International Integrated Reporting Council (IIRC)**
A global coalition of regulators, investors, companies, standard-setters, the accounting profession and non-governmental organizations (NGOs) that helps businesses and investors adopt integrated reporting.

**Non-Governmental Organization (NGO)**
Usually non-profit and sometimes international organizations independent of governments (and international governmental organizations) that seek to effect change around specific issues, such as education, health care, public policy, humanitarian issues, human rights, or the environment.

**Organization for Economic Co-operation and Development (OECD) Principles of Corporate Governance**
A regularly reviewed set of principles that set down the guidelines on how to create a sound corporate governance system. Principles include transparency, accountability, board oversight, and respect for the rights of shareholders and the role of key stakeholders.

**Sustainability Accounting Standards Board (SASB)**
A US non-profit organization started in 2011 to establish sustainability standards for companies traded on US exchanges.

**Sustainable Development Goals (SDGs)**
A collection of 17 global goals established by the UN General Assembly in 2015. They serve as a universal call to action to address a broad range of environmental, social, and economic issues.

# A Selection of Industry Organizations and Initiatives

**Task Force on Climate-related Financial Disclosures (TCFD)**
A task force established by the Financial Stability Board to develop voluntary, consistent climate-related financial risk disclosures for use by companies when providing information to investors, lenders, insurers and other stakeholders.

**UK Sustainable Investment and Finance Association (UKSIF)**
The membership network for sustainable and responsible financial services in the UK.

**UN Development Programme**
The UN's global development network partnering with people at all levels of society to help build nations that can withstand crisis, and drive and sustain the kind of growth that improves quality of life for everyone.

**UN Global Compact Principles**
Ten corporate sustainability principles for long-term success covering the areas of human rights, labor, the environment and anti-corruption.

**UN Sustainable Development Goals**
A set of 17 goals adopted by world leaders in September 2015, aimed at ending poverty, preserving the planet and ensuring prosperity for all.

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To continue learning more about Responsible Investing and how deeper knowledge of the space may help build your business.

**About Calvert**

Calvert Research and Management (Calvert) is a global leader in Responsible Investing. Calvert sponsors one of the largest and most diversified families of responsibly invested mutual funds, encompassing active and passively managed equity, income, alternative and multi-asset strategies. With roots in Responsible Investing back to 1982, the firm seeks to generate favorable investment returns for clients by allocating capital consistent with environmental, social and governance best practices and through structured engagement with portfolio companies. Headquartered in Washington, D.C., Calvert manages assets on behalf of funds, individual and institutional separate account clients, and their advisors. For more information, visit calvert.com.

**About Eaton Vance**

Eaton Vance provides financial advisors with the investment strategies and resources to solve for their clients' most complex investment challenges. We offer a broad range of strategies, deep experience in sustainable investing and industry-leading customization and tax management solutions. With an unwavering commitment to investment excellence and diversity of perspective, we are dedicated to bringing financial advisors and their clients the best our organization has to offer. Eaton Vance is part of Morgan Stanley Investment Management.

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**Before investing, investors should consider carefully the investment objectives, risks, charges and expenses of a mutual fund. This and other important information is contained in the prospectus and summary prospectus, which can be obtained from a financial advisor. Prospective investors should read the prospectus carefully before investing.**

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